
Review of
“FY2016- FY2018 Mid-Term Management Plan”
— Toward Our Vision —

July 26, 2019

 **Hitachi Capital Corporation**

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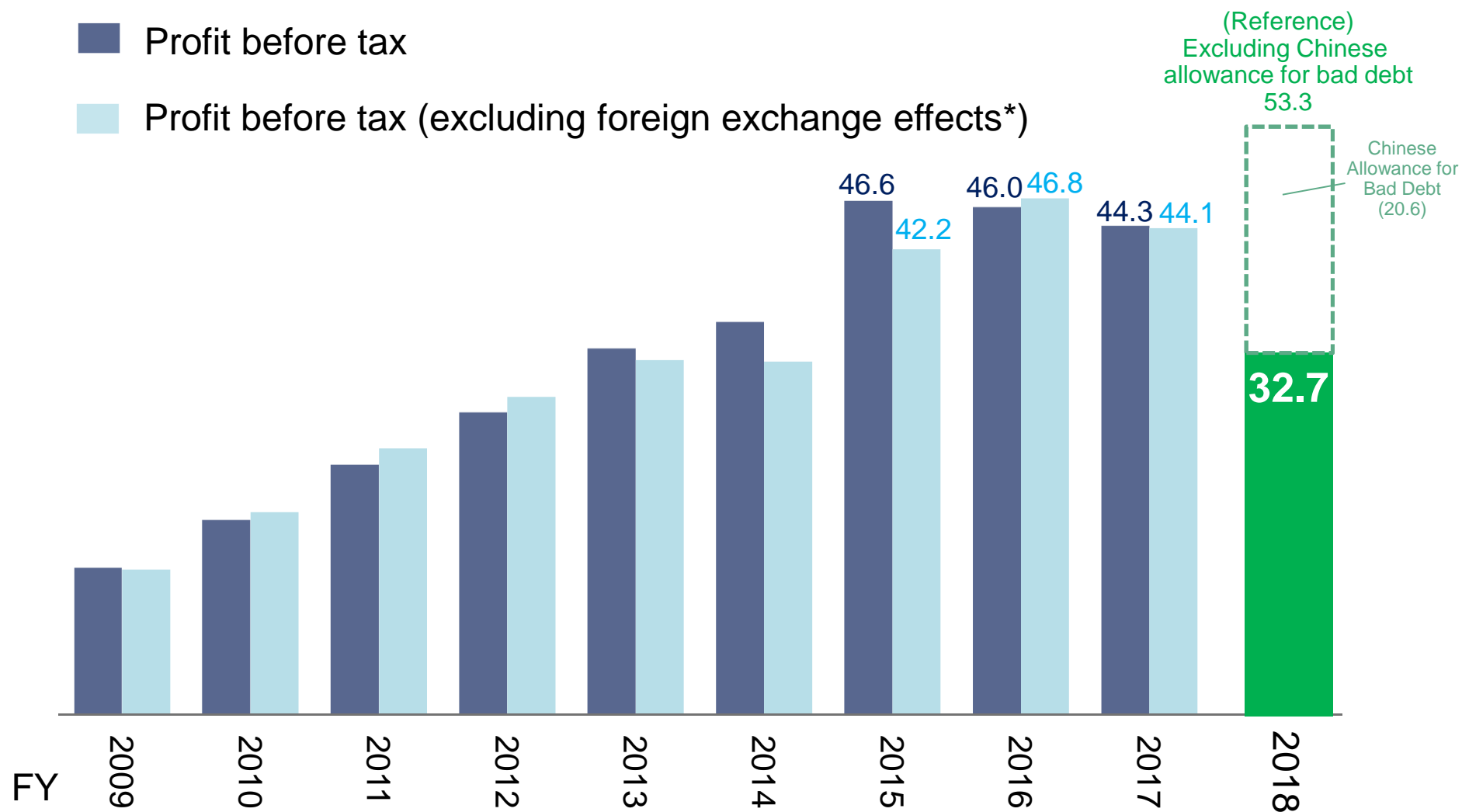
- 1. Business Results**
- 2. Summary of 2018 Mid-Term Management Plan**
- 3. Review of 2018 Mid-Term Management Plan**
- 4. Vision and Direction of 2021 Mid-Term Management Plan**

1. Business Results

(Billions of yen)

■ Profit before tax

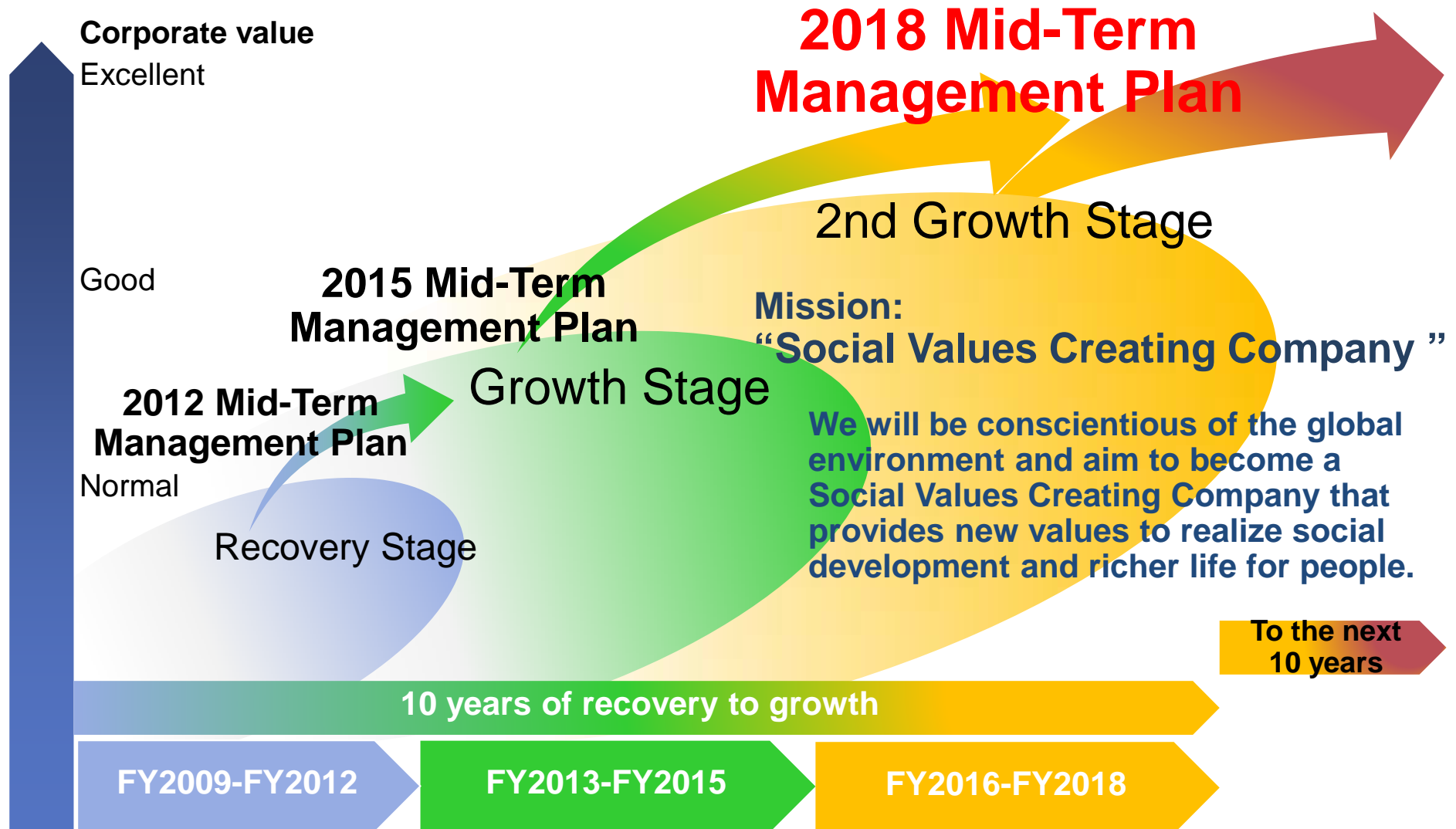
■ Profit before tax (excluding foreign exchange effects*)



* Excluding foreign exchange effects: Calculated using the exchange rate for FY2018 (£1 = ¥145, \$1 = ¥110)

2-1. Positioning of 2018 Mid-Term Management Plan

“Change” and “Growth”



2-2. Highlights of 2018 Mid-Term Management Plan **HITACHI** Inspire the Next

**Global Business:
Continue
double digit growth**

- “Maintain high and systematic growth”**
- Risk control according to regional characteristics
 - Diversify business portfolio to build a system insusceptible to external environments
 - Overseas ratio in FY2018: 60% (profit before tax)

**Japan Business:
Challenge to
achieve 2% ROA**

- “Shift to growth stage through continuous change in business mix”**
- Progress asset utilization by resetting focused sectors
 - Strengthen back office capability that leads to the competitive advantage

**Aggressive investment:
Highly-skilled professionals/
Aggressive IT investment/
Collaborate with Partners**

- Execute strategic investment to support business growth (Business partner, M&A, IT investments, etc.)
- ⇒
- | | |
|----------------------------|--|
| M&A | : 300 billion yen in asset size |
| IT investment | : 20 billion yen |
| Human resources investment | : Add 200 highly-skilled professionals |

2-3. Business Map of 2018 Mid-Term Management Plan **HITACHI** Inspire the Next



* MUFG: Mitsubishi UFJ Financial Group, Inc.
MUL: Mitsubishi UFJ Lease & Finance Company Limited

3-1. Review of 2018 Mid-Term Management Plan (Highlights)

Achieved the targets for most key measures

	[FY2018]		
	Initial plan	Results	
Global Business: Continue double digit growth	CAGR (Profit before tax) [Excluding Chinese allowance for bad debt]	Double-digit	-8.2% [10.9%]
	Overseas ratio (Profit before tax)	60%	27%
Japan Business: Challenge to achieve 2% ROA	ROA	1.9%	1.9%
	OHR	<60%	56.3%
Aggressive investment: Highly-skilled professionals/ Aggressive IT investment/ Collaborate with Partners	M&As	¥300 billion	¥139 billion
	IT investment	¥20 billion	¥19 billion
	Highly-skilled professionals	200	230

* CAGR: Average annual growth rate (FY2015-FY2018), excluding foreign exchange effects (calculated using the actual exchange rate for FY2018)
M&As, IT investment, and Highly-skilled professionals show cumulative figures from FY2016 to FY2018. © Hitachi Capital Corporation 2019. All rights reserved.

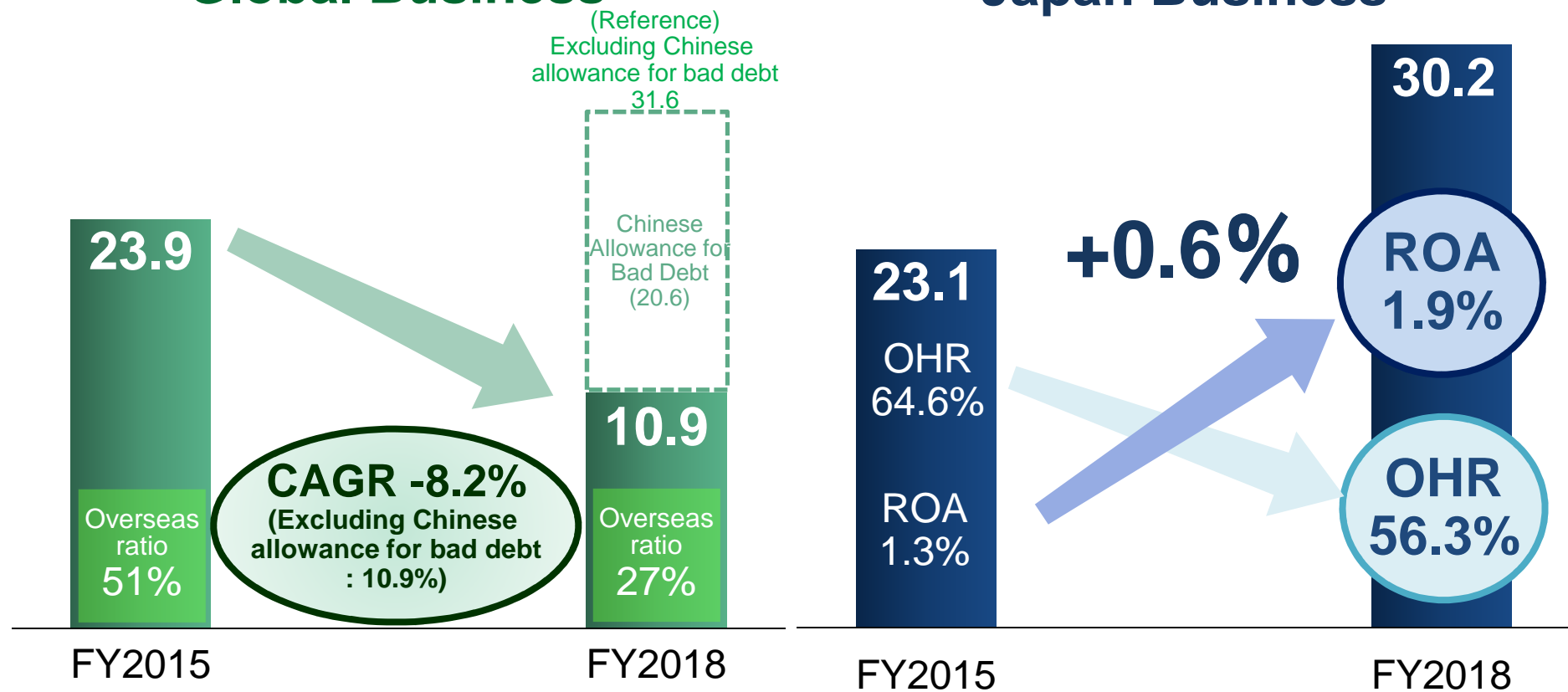
3-1. Review of 2018 Mid-Term Management Plan (Highlights)

(Global Business) Achieved double-digit growth excluding China business
(Japan Business) Profitability improved due to business structural reform

[Profit before tax (billions of yen)/ROA]

Global Business

Japan Business



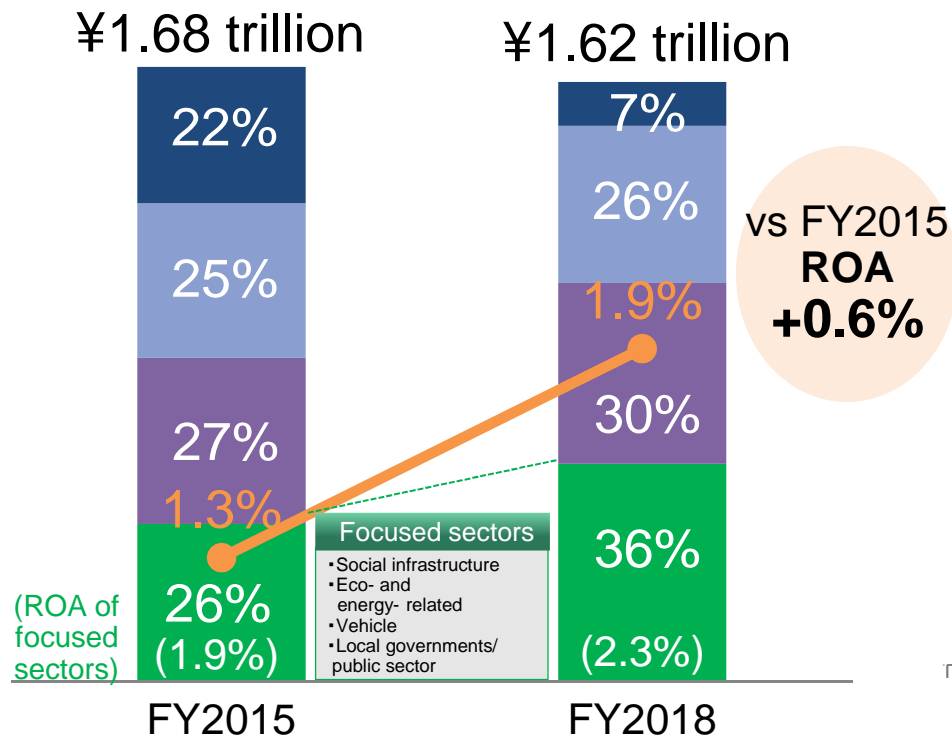
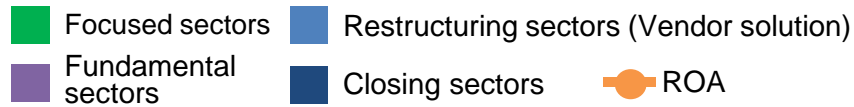
* Profit before tax of Global Business and Japan Business excludes adjustments (company-wide expenses, etc.).

* Global Business excludes foreign exchange effects (Profit before tax for FY2015 was calculated using the actual exchange rate for FY2018).

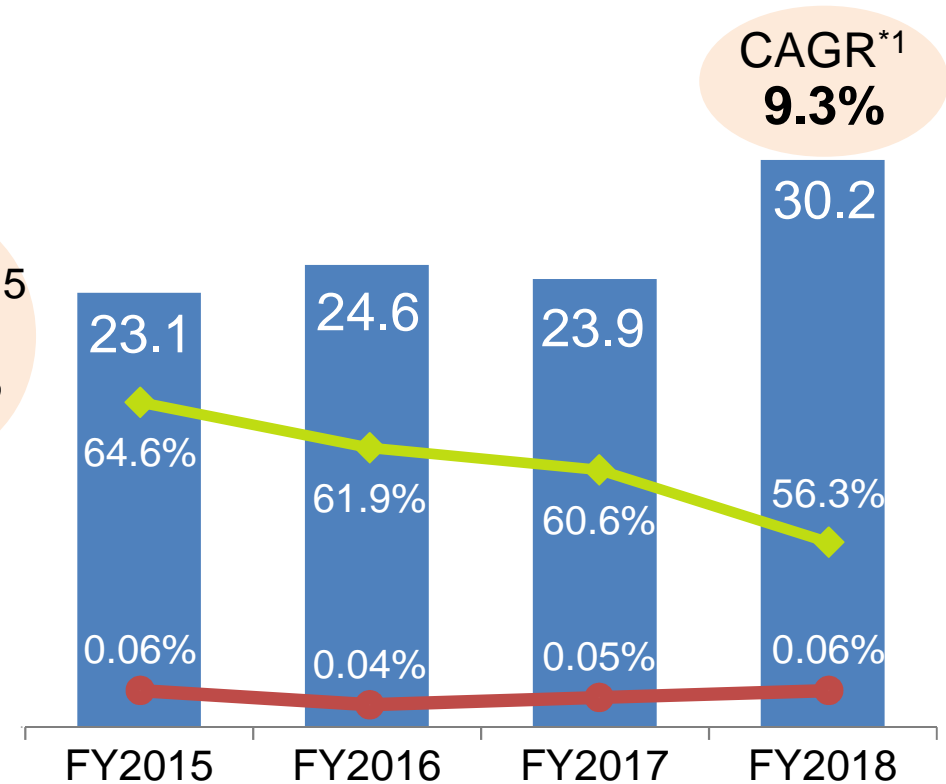
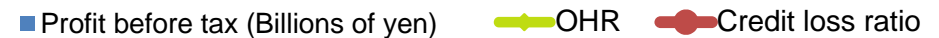
3-2. Review of 2018 Mid-Term Management Plan (Japan Business)

Profitability improved significantly due to “expansion of highly profitable focused sectors” and “reduction of OHR through structural reform”

Operating assets/ROA



Profit before tax/OHR/Credit loss ratio



* OHR (overhead ratio) = SG&A (excluding bad debt expenses) / Gross profit

*1 Average annual growth rate (FY2015-FY2018)

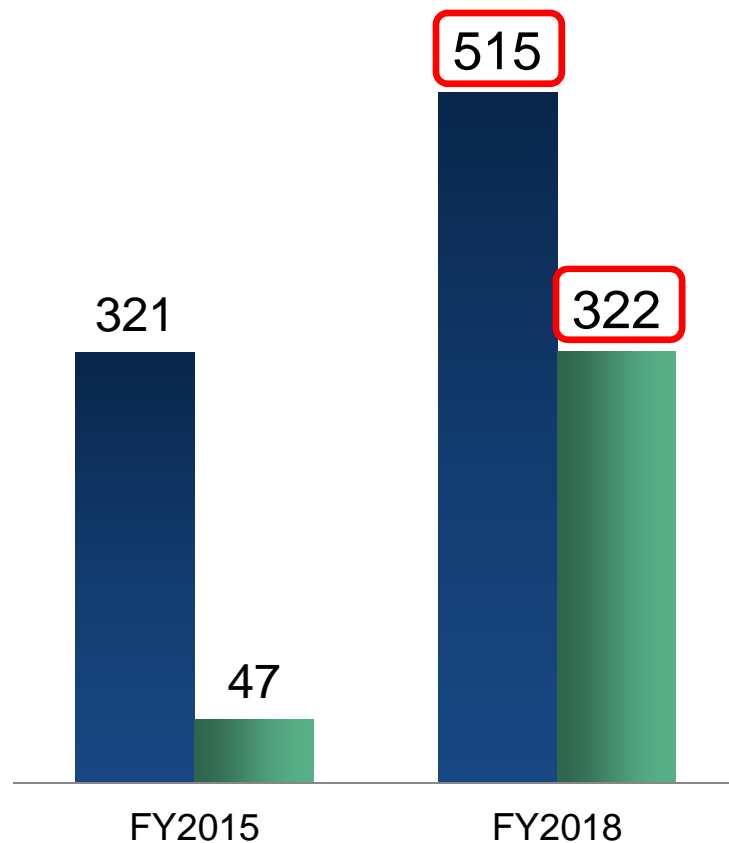
3-2. Review of 2018 Mid-Term Management Plan (Japan: Eco- and Energy- Related)



**Achieved the target of 500 MW mainly in wind power business.
Expanding to new business fields (biogas and offshore wind power generation)
with a view to the future growth**

Power generation capacity (MW)

■ Total* ■ Of which, power generation business



* Power generation capacity is the accumulated total of power generation business and equipment lease, including partial investment.

Power generation business map

Existing business fields
(FY2015 ⇒ FY2018)

● Wind power generation
 ▪ 9MW ⇒ 252MW
 ▪ 3 sites ⇒ 33 sites

● Solar power generation
 ▪ 38MW ⇒ 70MW
 ▪ 16 sites ⇒ 38 sites

New business fields

● Biogas
 ▪ Operation started in November 2018

● Wind power generation
 ▪ Promoting commercialization



* Sites are only power generation business.

3-2. Review of 2018 Mid-Term Management Plan (Japan: Vendor Solution Business)



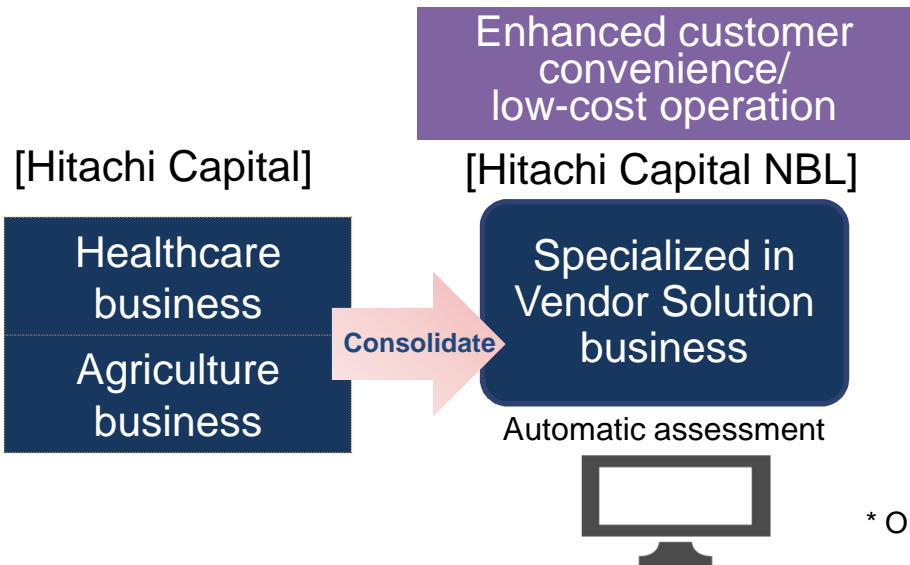
HITACHI
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Achieved business structural reform

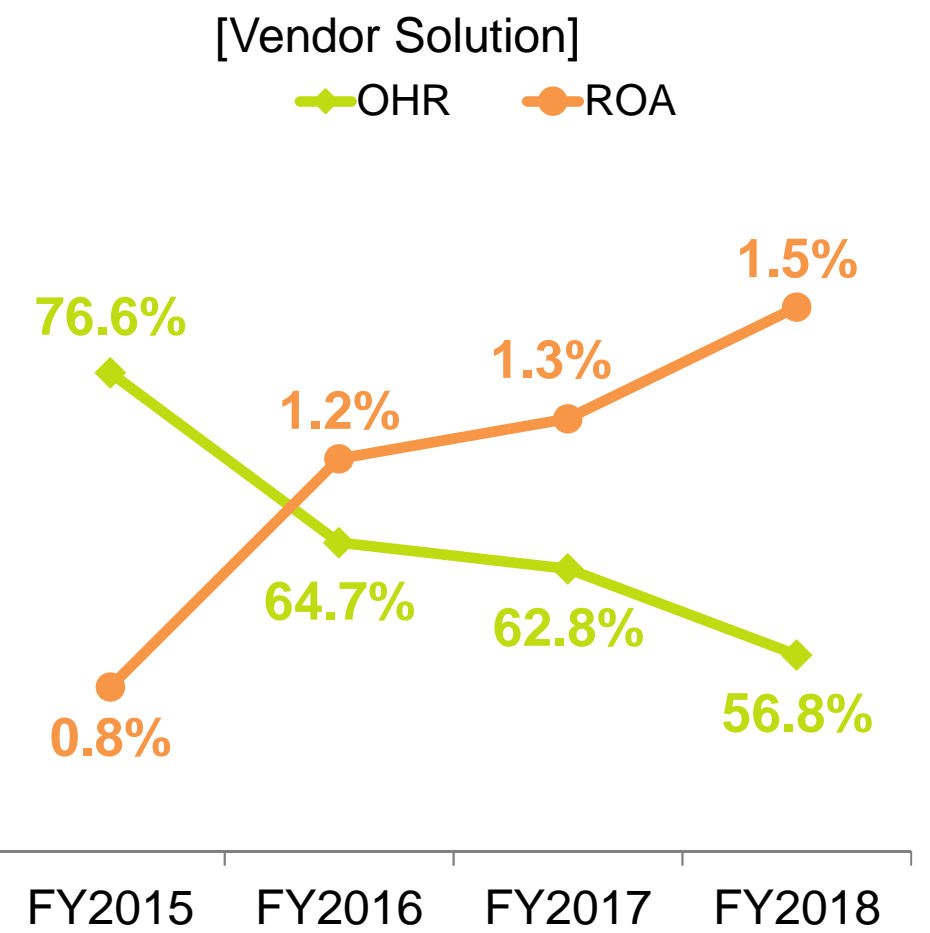
Consolidated vendor solution businesses

**Enhanced customer convenience/
low-cost operation**
(October 2017) Consolidated front functions
(January 2019) Completed system integration

AI screening using Hitachi AI
(Result of demonstration testing)
Automatic assessment ratio 75% ⇒ 90%



OHR/ROA

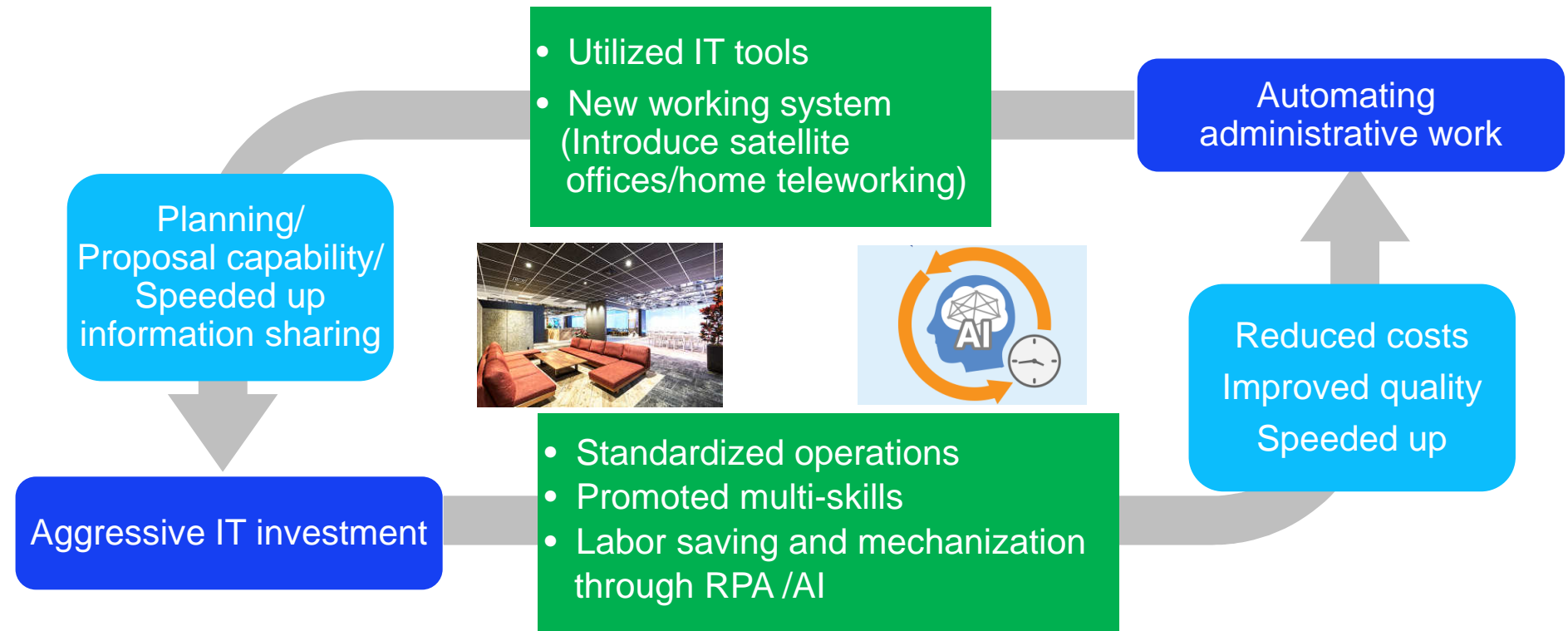


* OHR (overhead ratio) = SG&A (excluding bad debt expenses) / Gross profit

3-2. Review of 2018 Mid-Term Management Plan (Japan: Automating Administrative Work)



Cut process work by 110 thousand hours per year = Improve productivity



[Productivity improvement KPIs]

	FY2015	FY2016	FY2017	FY2018		FY2015	FY2016	FY2017	FY2018
Total working hours (Annual total per employee)	2,106	2,067	1,936	1,885	Japan Business OHR	64.6%	61.9%	60.6%	56.3%

* Regular working hours: 7.75 hours/day, 240 days/year

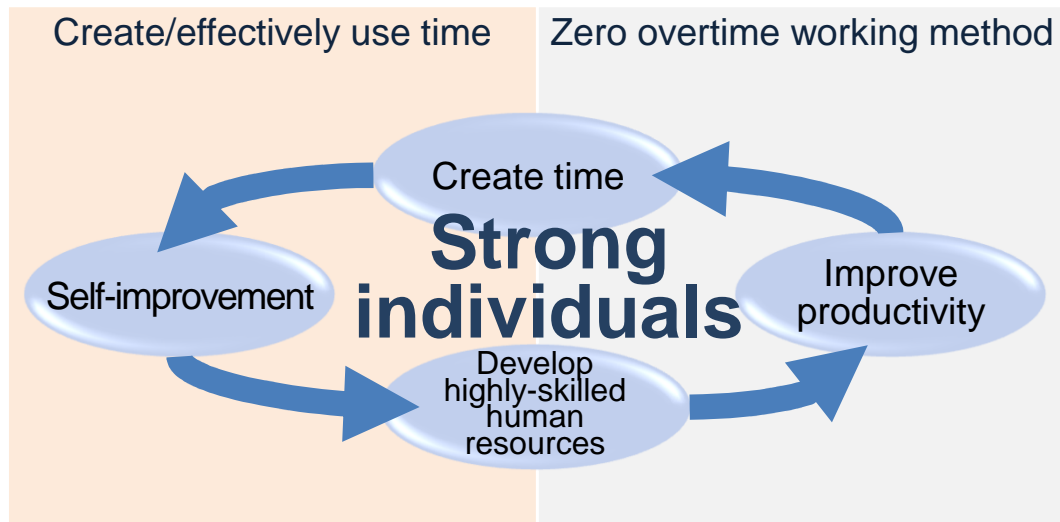
* Total annual working hours per employee = 7.75 x (240 – average number of days of annual leave taken) + overtime hours, non-consolidated basis

* OHR (overhead ratio) = SG&A (excluding bad debt expenses) / Gross profit

3-2. Review of 2018 Mid-Term Management Plan (Japan: Working Method Transformation)



Achieved a good cycle leading to the growth of employees



Initiatives for growth of employees

Implemented company-wide social contribution activities for connecting with people

Granted incentives for hobbies and self development

Fostered challenging spirit through the in-house entrepreneurship program (22 applicants, with two of them currently under commercialization process)

Acquired rich experience through sideline businesses (applied:3 employees)

In-house entrepreneurship program



Snow shoveling volunteer in the heavy snowfall region (Obanazawa)



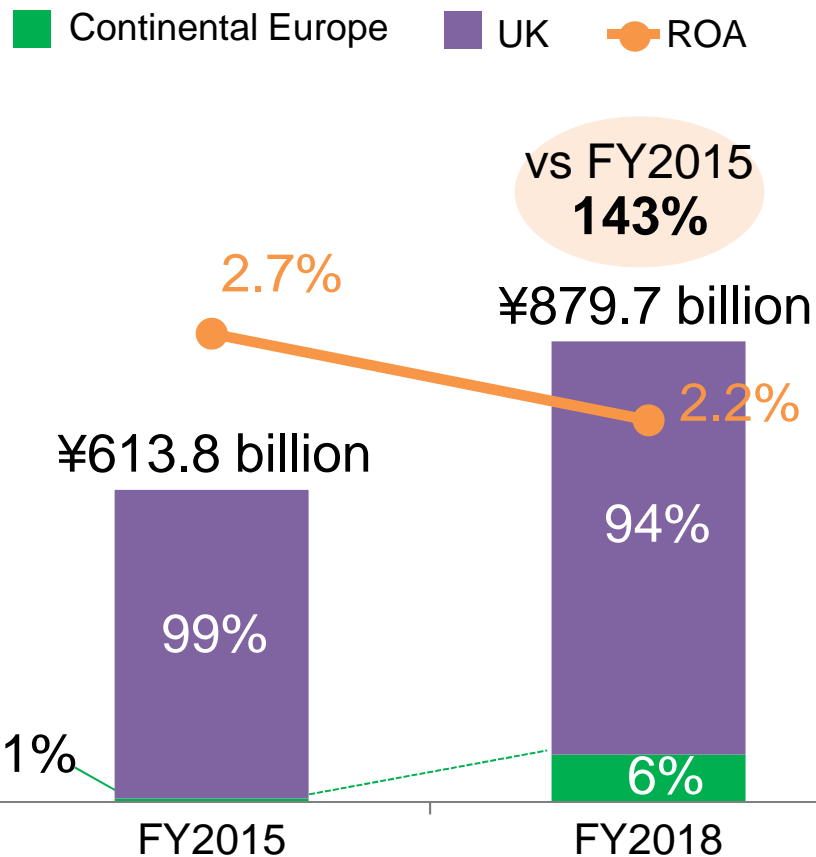
[FY2018 Social contribution program] (Total of 689 employees participated)

- Charitable blood donation contributing to JAWFP
- Volunteer for reforestation after the great earthquake
- Mt. Fuji Reforestation Project volunteer
- Snow shoveling volunteer in the heavy snowfall region (Obanazawa)
- FIT Charity Run to support NPOs, etc.

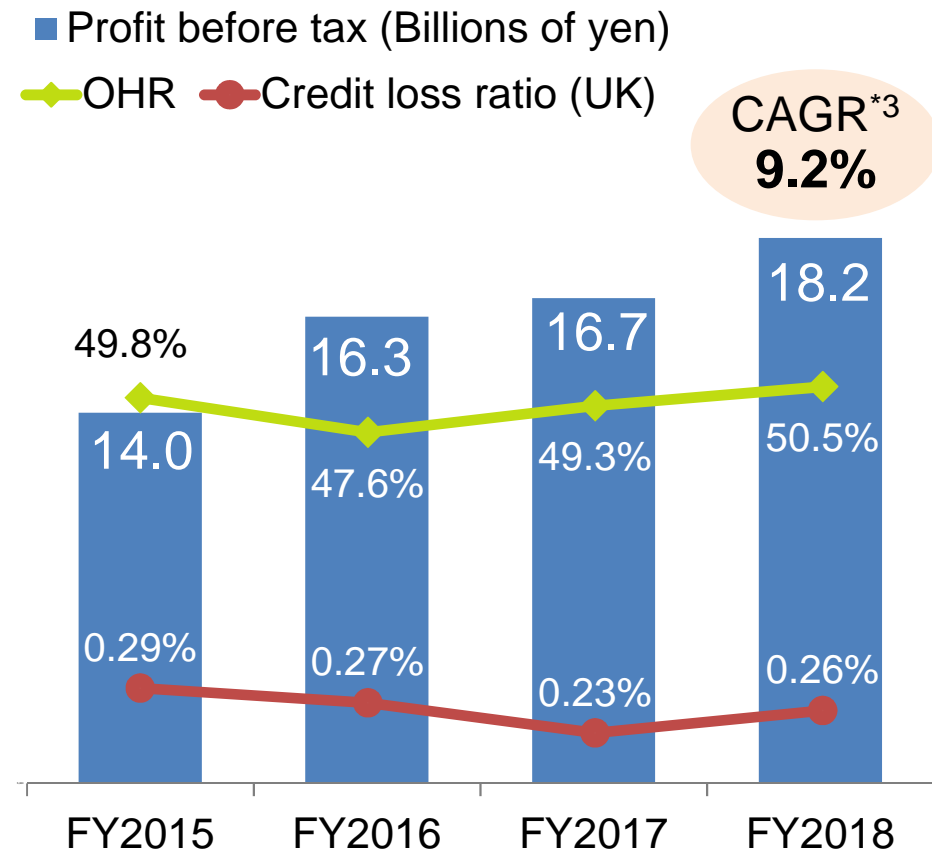
3-3. Review of 2018 Mid-Term Management Plan (Europe Business)

**UK Business showed steady growth under Brexit confusion.
Business in continental Europe expanded .**

Operating assets*1/ROA



Profit before tax*2/OHR/Credit loss ratio



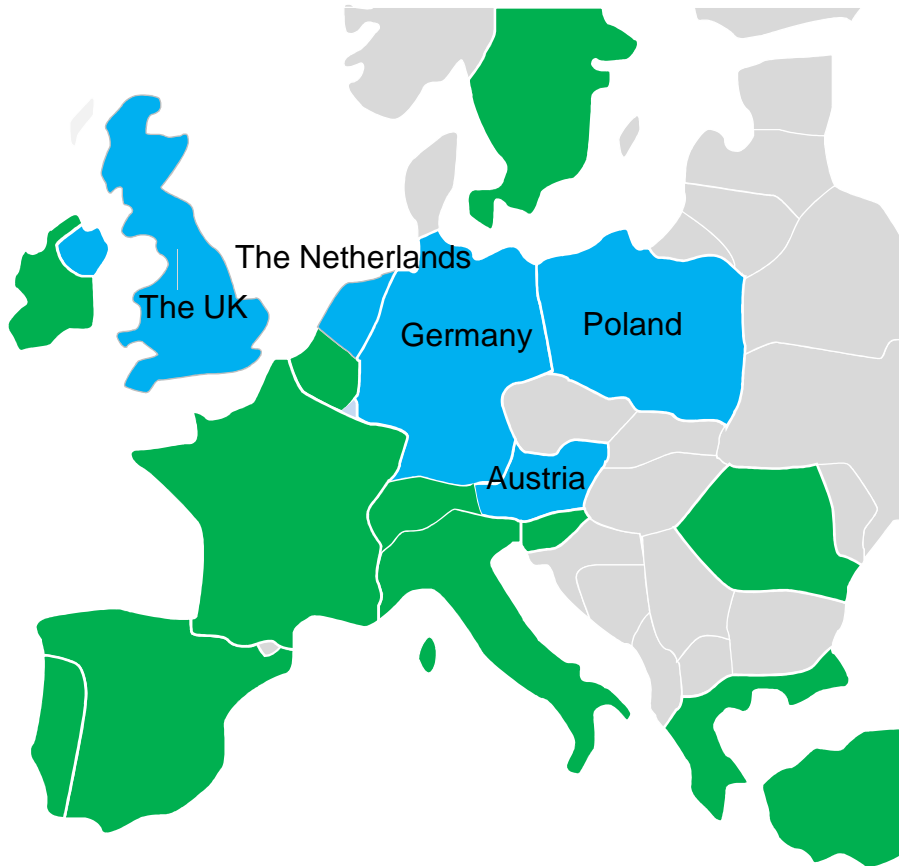
* OHR (overhead ratio) = SG&A (excluding bad debt expenses) / Gross profit

*1 Calculated using the exchange rate of each fiscal year *2 Excluding foreign exchange effects (Figures in FY2015 to FY2017 were calculated using the actual exchange rate for FY2018) *3 Average annual growth rate (FY2015-FY2018)

3-3. Review of 2018 Mid-Term Management Plan (Europe Business)

Accelerated business development in continental Europe

- : Business bases
- : Areas of collaborating with third-party financial institutions



Sales finance

- Expanded regional coverage through collaboration with third-party financial institutions

As of the end of FY2015: 7 countries
⇒ As of the end of FY2018: 17 countries

Vehicle Solution

- Acquired business bases consistently

As of the end of FY2015: 2 countries
⇒ As of the end of FY2018: 5 countries

[Companies consolidated through M&As]

- Jan. 2017: (The Netherlands) Noordlease Holding B.V.
- Nov. 2017: (The Netherlands) Lease Visie B.V.
- Feb. 2018: (Poland) Planet Car Lease Polska Sp. z o. o.
- Jan. 2019: (Germany) Maske Fleet GmbH
- (Austria) Maske Langzeit-Vermietung GmbH

* Business bases include areas of collaborating with third-party financial institutions

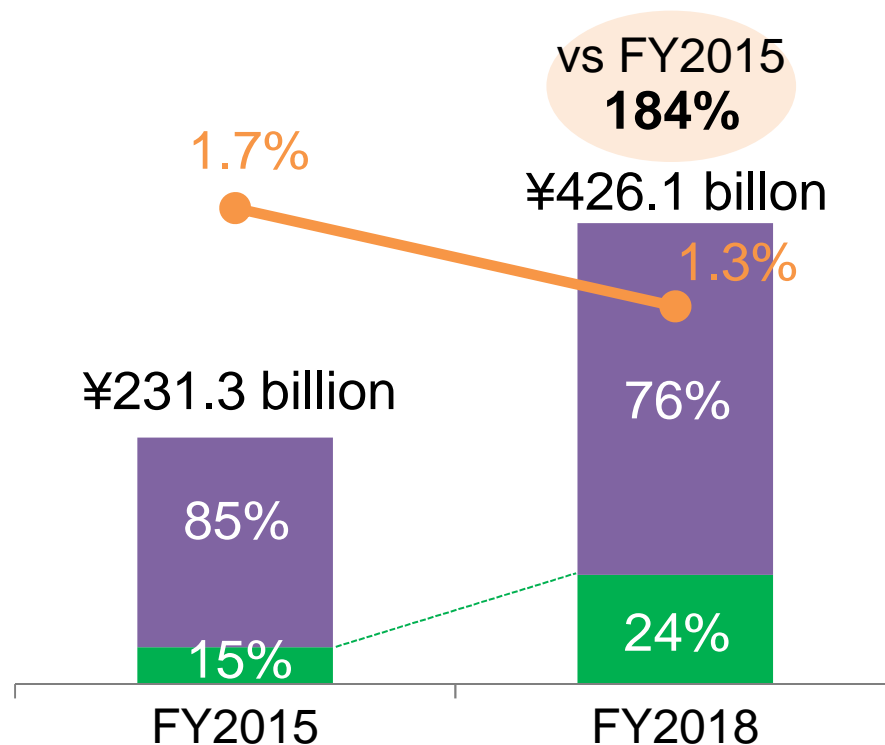
3-4. Review of 2018 Mid-Term Management Plan (The Americas Business)

Operating assets increased due to expansion of Canada Business and M&As (healthcare/IT).

Credit loss decreased due to improvement of quality of receivables, and profit regrew.

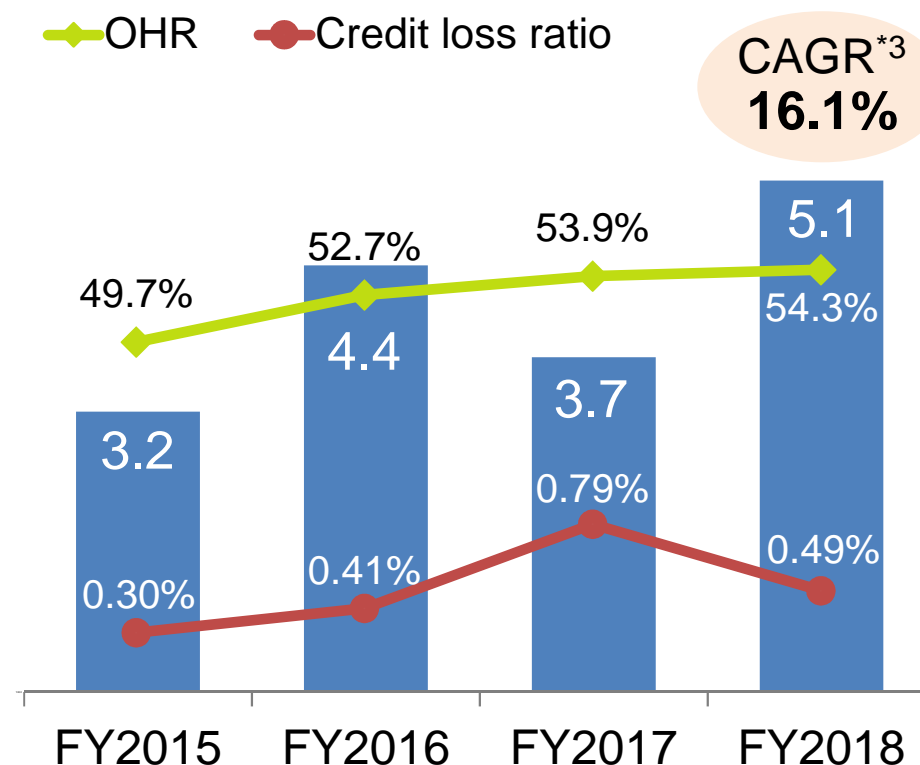
Operating assets*1/ROA

■ Canada ■ USA ● ROA



Profit before tax*2/OHR/Credit loss ratio

■ Profit before tax (Billions of yen)
◆ OHR ● Credit loss ratio



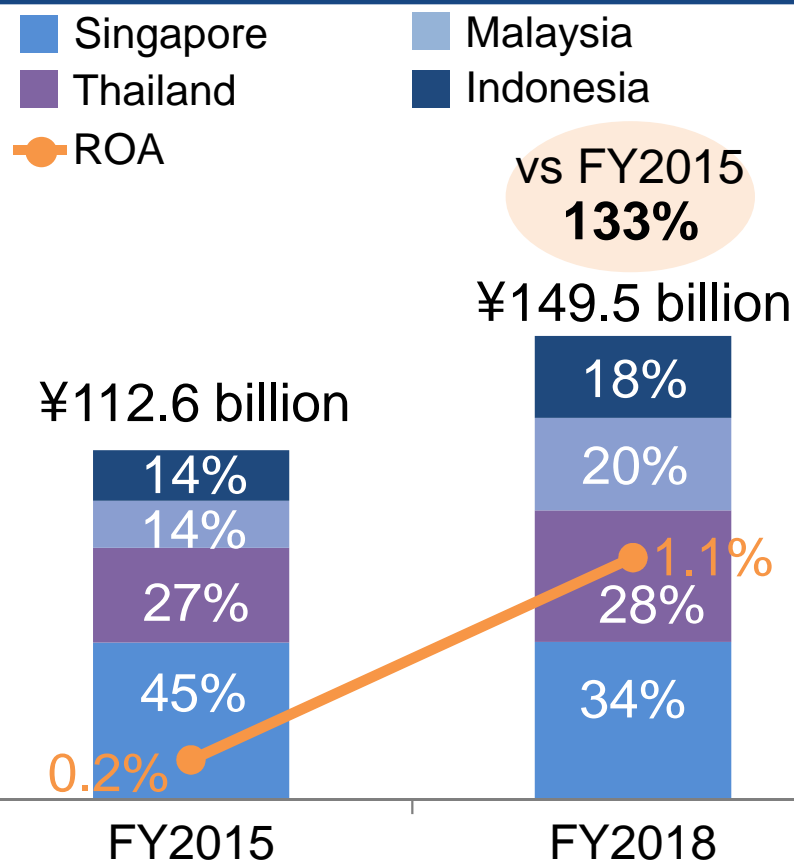
* OHR (overhead ratio) = SG&A (excluding bad debt expenses) / Gross profit

*1 Calculated using the exchange rate of each fiscal year *2 Excluding foreign exchange effects (Figures in FY2015 to FY2017 were calculated using the actual exchange rate for FY2018) *3 Average annual growth rate (FY2015-FY2018)

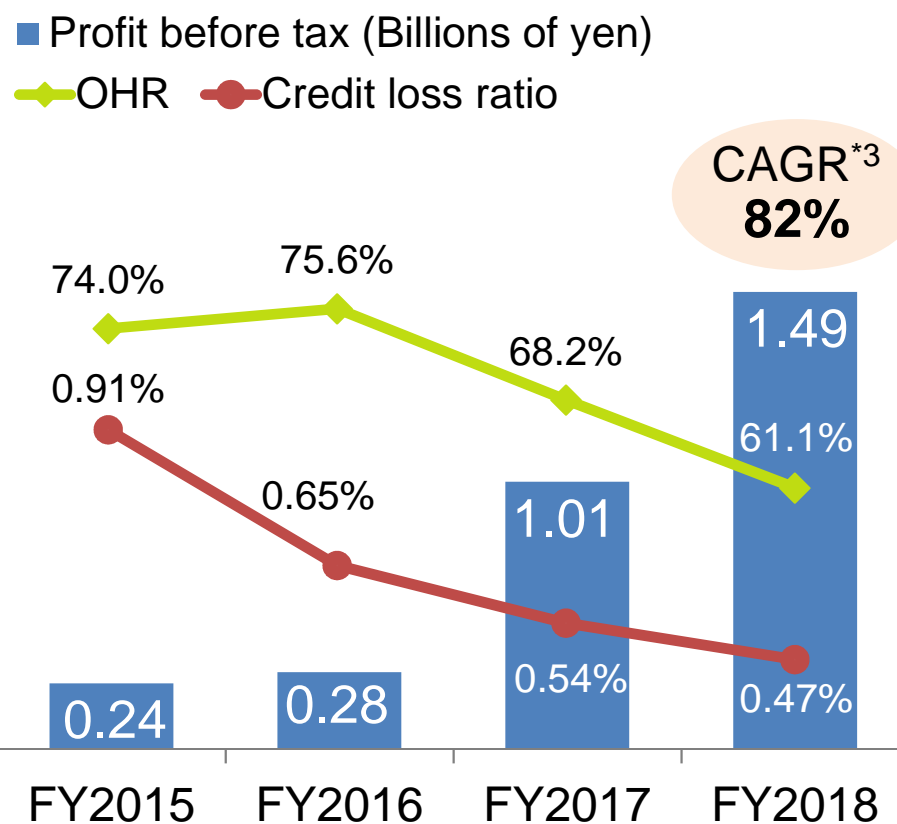
3-5. Review of 2018 Mid-Term Management Plan (ASEAN Business)

ASEAN Business shifted into growth phase to promote business efficiency and improvement of quality of receivables due to strengthening of management base

Operating assets*1/ROA



Profit before tax*2/OHR/Credit loss ratio



* OHR (overhead ratio) = SG&A (excluding bad debt expenses) / Gross profit

*1 Calculated using the exchange rate of each fiscal year *2 Excluding foreign exchange effects (Figures in FY2015 to FY2017 were calculated using the actual exchange rate for FY2018) *3 Average annual growth rate (FY2015-FY2018)

3-6. Review of 2018 Mid-Term Management Plan (China Business)

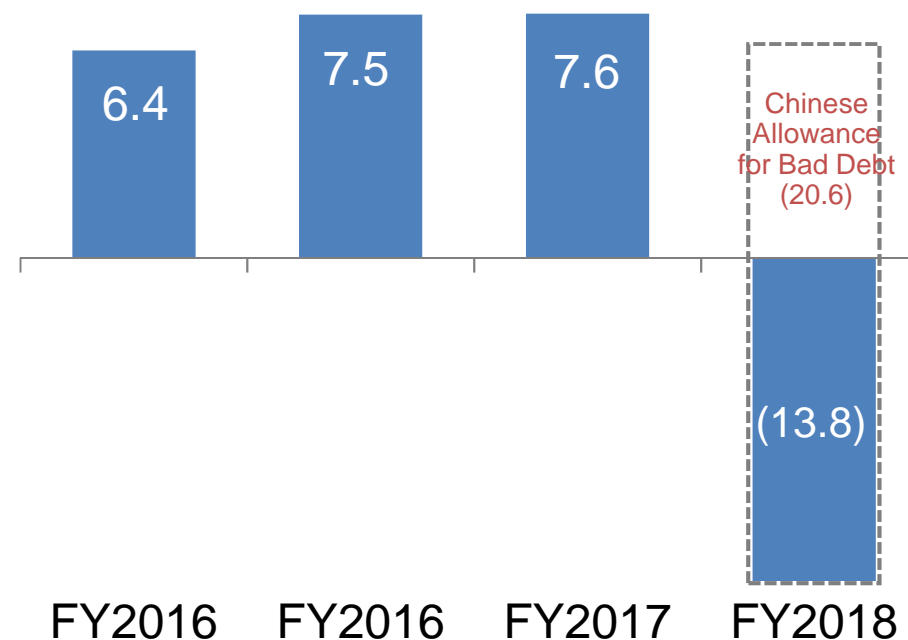
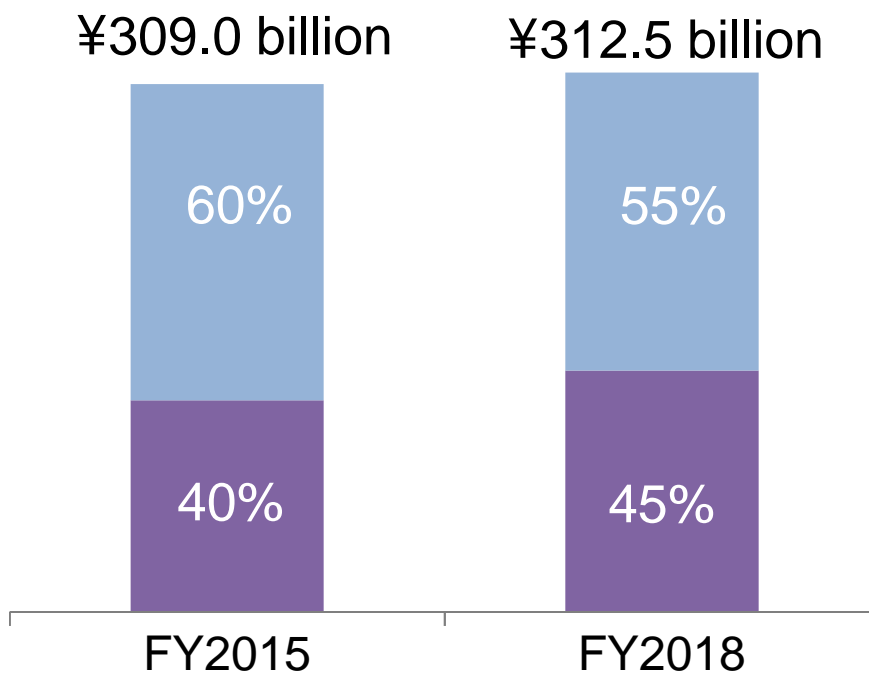
China Business showed a steady performance due to public deals and collaboration with Chinese leasing companies, but recorded allowance for large factoring receivables.

Operating assets*1

Profit before tax*2/OHR/Credit loss ratio

■ Mainland China ■ Hong Kong

■ Profit before tax(Billions of yen)

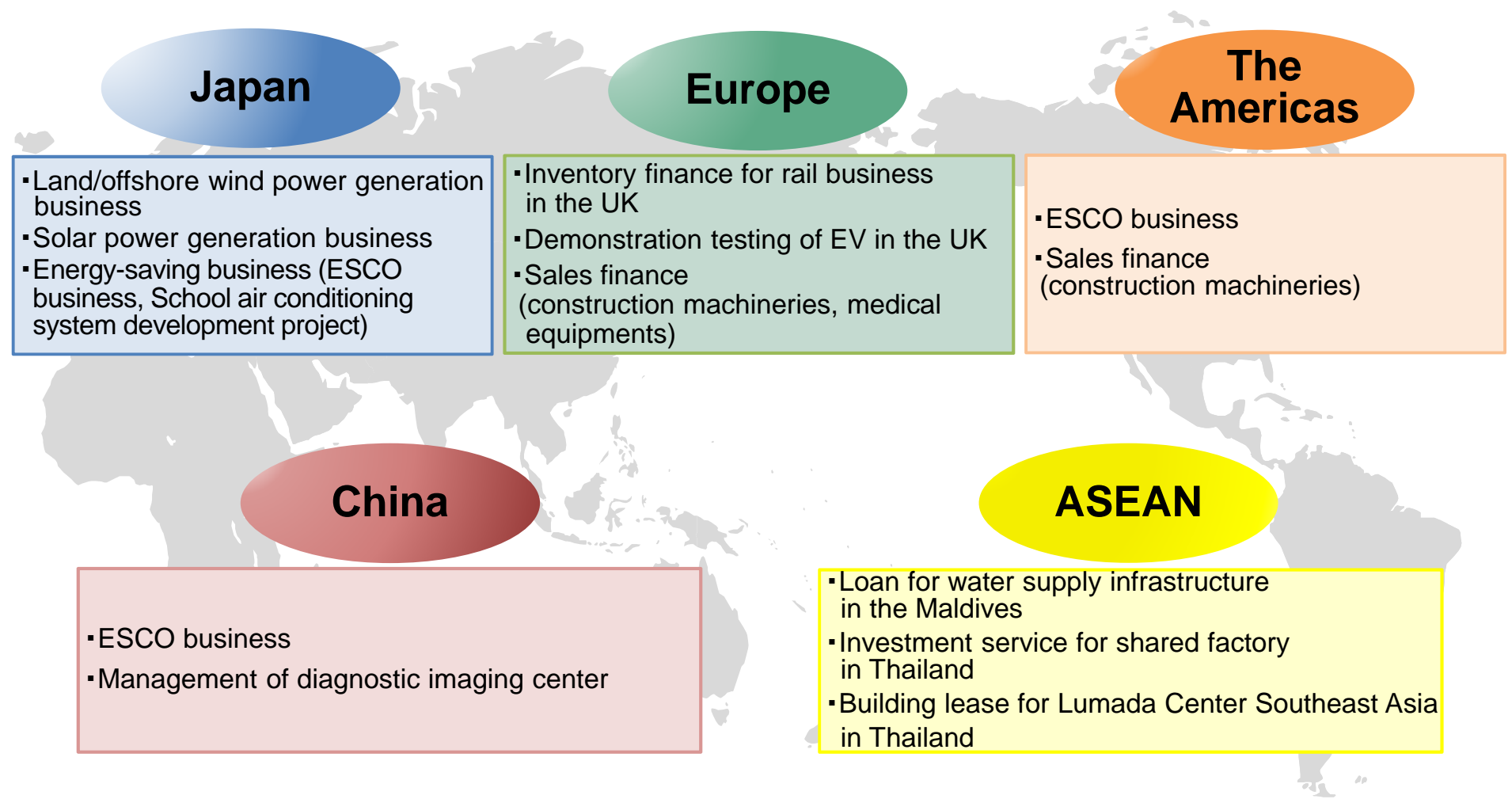


*1 Calculated using the exchange rate of each fiscal year *2 Excluding foreign exchange effects (Figures in FY2015 to FY2017 were calculated using the actual exchange rate for FY2018) *3 Average annual growth rate (FY2015-FY2018)

3-7. Review of 2018 Mid-Term Management Plan (Hitachi Group Business)



Accelerated collaboration with Hitachi's Social Innovation Business

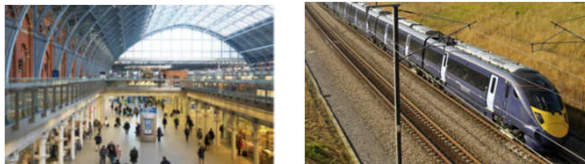


3-8. Review of 2018 Mid-Term Management Plan (Collaboration with partners: MUFG/MUL)

JII made investments of over ¥24 billion

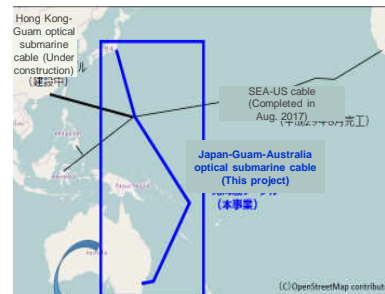
The UK rail infrastructure business

Invested in the business to operate railway connecting London and the Channel Tunnel and four stations



Optical Submarine Cable project

Invested and extended loans to Japan-Guam-Australia optical submarine cable project



HD map business for autonomous driving

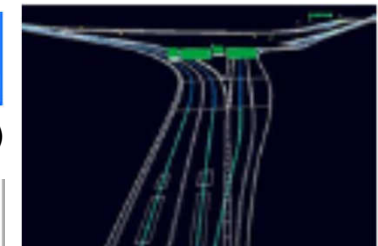
Invested in a company*1 providing 3D map (HD*2 map)



(Japan: Investee)



(US: Acquiree)



(Dynamic map image)

Indirectly supported Hitachi's Social Innovation Business

<Partners>

Hitachi, Ltd., etc.

Supported construction of communication infrastructure in Asia-Pacific region

<Partners>

NEC Corporation, etc.

Supported an advance into the North American market of a Japanese company having map information infrastructure with an eye on the spread of autonomous driving

<Partners>

INCJ, Ltd.
Mitsubishi Electric Corporation

Contributed to infrastructure-related investments by Japanese companies

*1 The investee is Dynamic Map Platform Co., Ltd. which will use the funds to acquire Ushr, Inc., a company developing and providing high-definition maps in the U.S.

*2 High Definition

* MUFG: Mitsubishi UFJ Financial Group, Inc. MUL: Mitsubishi UFJ Lease & Finance Company Limited JII: Japan Infrastructure Initiative Company Limited

3-9. Review of 2018 Mid-Term Management Plan (Vehicle Solution Business: Japan)



Started a new project with Hitachi Transport System to build high value-added truck solution

Hitachi Capital Corporation × Hitachi Transport System

New innovation through “Finance, Commerce, Logistics, and Information”

- Smart & Safety Connected Vehicle (SSCV)**
Joint development through industry-academia collaboration aiming at realization of zero-accident society
- Acquired 40% of Hitachi Auto Service shares**
Strengthen cooperation between Vehicle Solution business and vehicle-related business of Hitachi Transport System

SSCV
Smart & Safety Connected Vehicle

Aim to install over 1,000 vehicles in FY2019

Expand themes for collaborative innovation to acquire additional growth opportunities

Collaborative innovation keywords	Centralization of information × Transactions and settlement	Warehouse management × Asset management
	Forwarding × Trade finance	SSCV × Fleet management

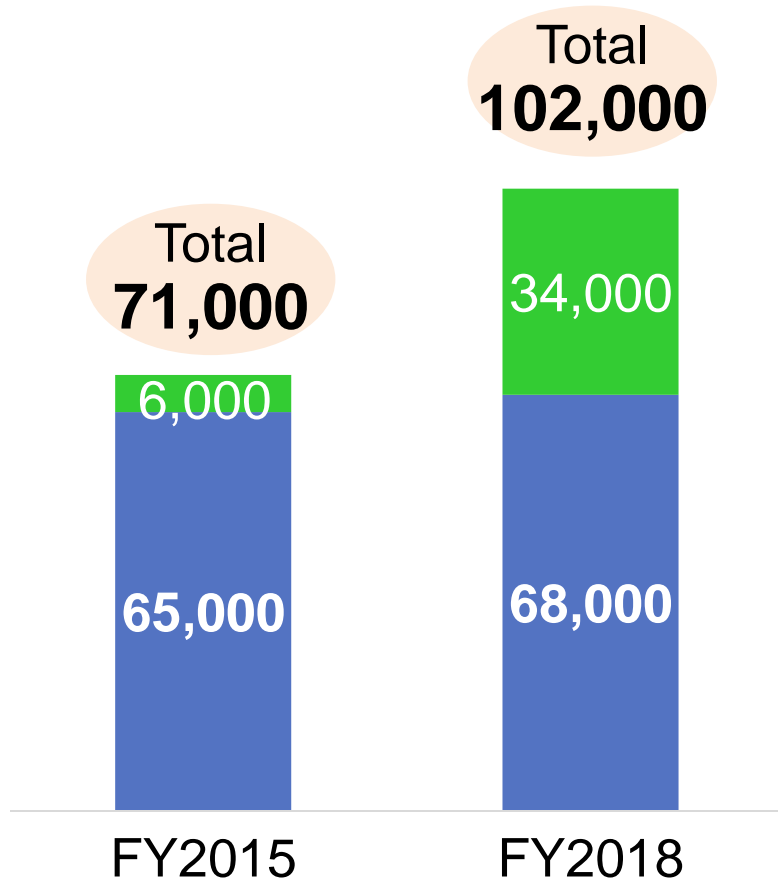
3-10. Review of 2018 Mid-Term Management Plan (Vehicle Solution Business: Europe)



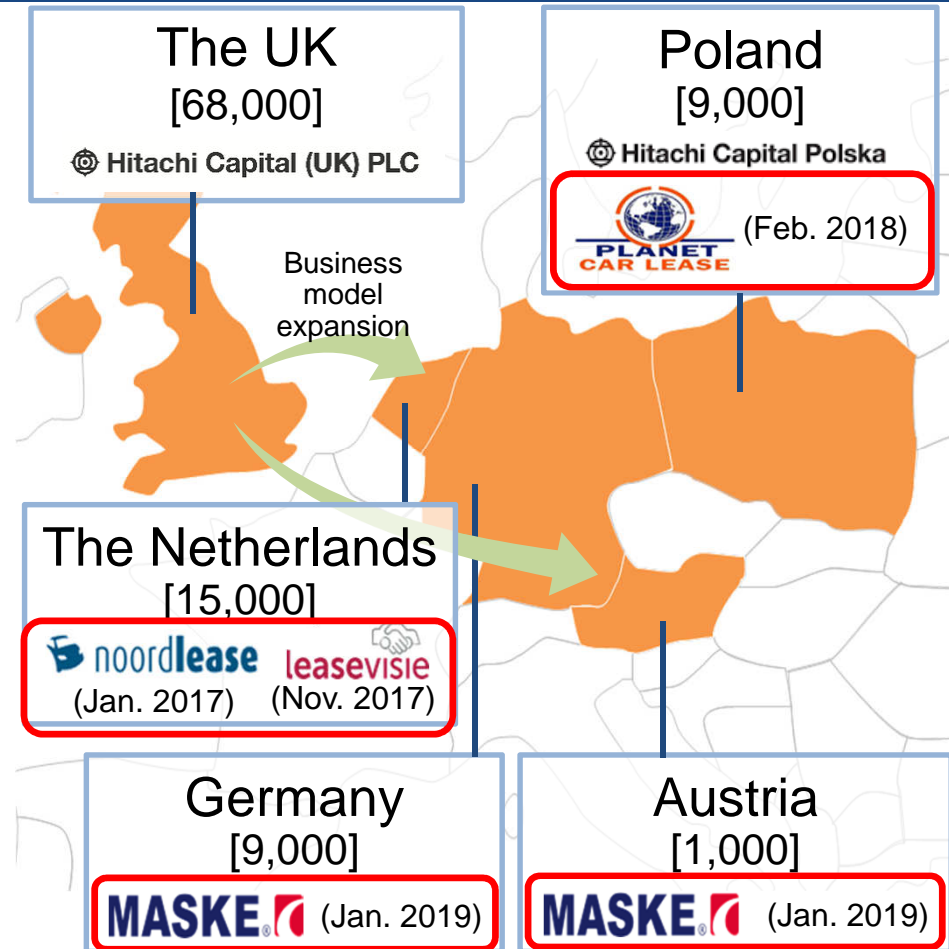
Expanded high value-added UK business model to continental Europe

Number of Vehicles

■ UK ■ Continental Europe



Covered area

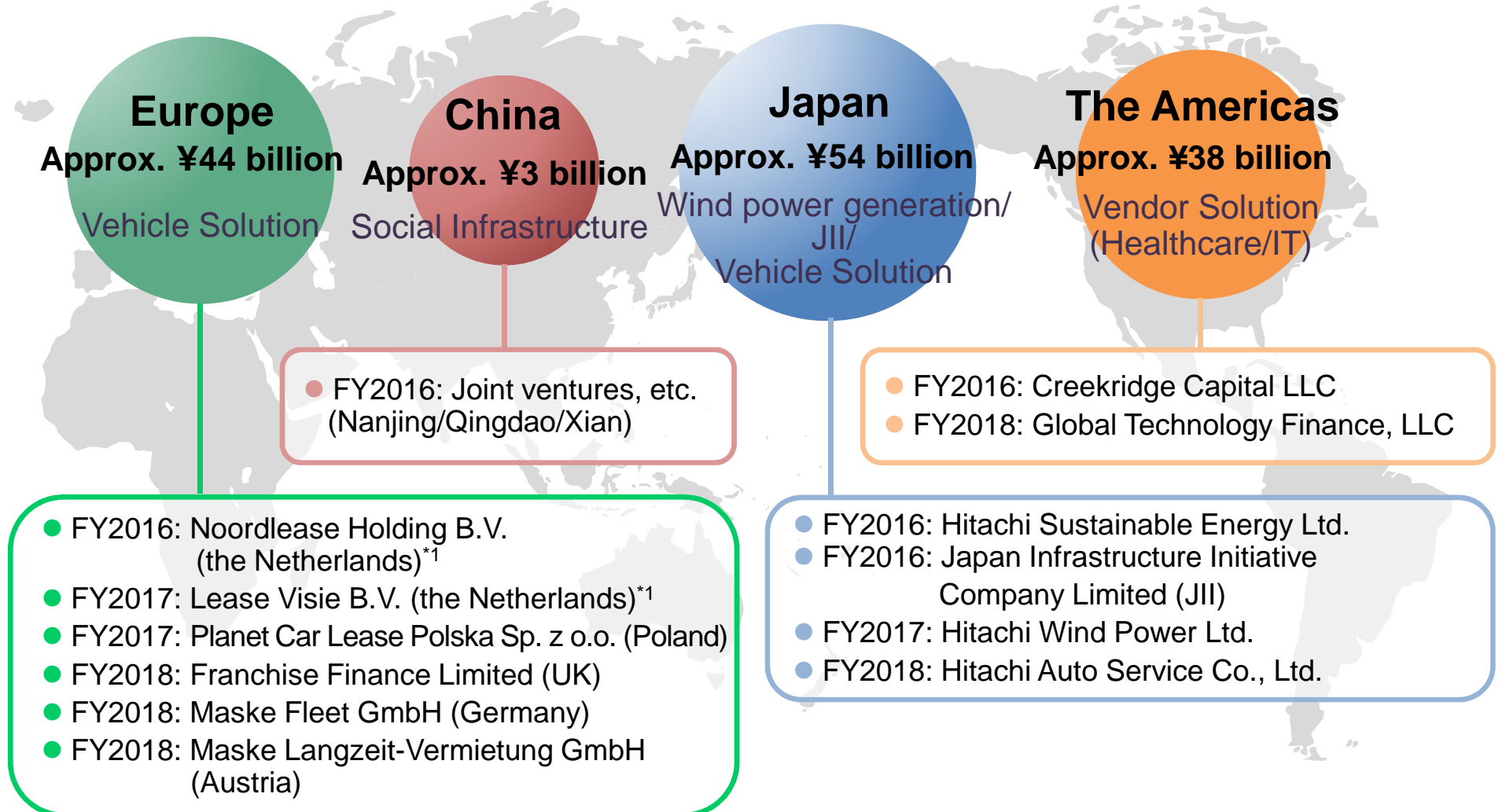


□ Companies consolidated through M&As during 2018 Mid-Term Management Plan (Date of consolidation) []: Number of Vehicles

3-11. Review of 2018 Mid-Term Management Plan (M&A)



**Invested approx. ¥139 billion in focused investment sectors to accelerate growth
[Vehicle Solution] [Eco- and energy- related]**



*1 Consolidated in July 2018

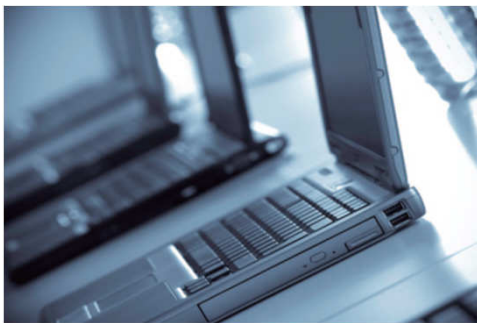
3-12. Review of 2018 Mid-Term Management Plan (IT Investment/Highly-Skilled Professionals)



IT investment: Promoted innovation of core systems and AI/RPA utilization
Highly-skilled professionals: Increased more than the plan through aggressive human resource development/recruitment

IT investment

- Promoted business structural reform through departure from the legacy system
 Japan: Integrated core systems
 ASEAN: Changed core systems
- Improved operational productivity using AI/RPA, etc.
 (Hitachi's Lumada/BizRobo!/UiPath , etc.)



[KPI (total of three years)]

Plan	Result
¥20 billion	¥19 billion

Highly-skilled professionals

- Fostered the next generation of management
- Developed global human resources (Overseas language training)
- Secured professional human resources (External recruitment/sending to partner companies)



[KPI (total of three years)]

Plan	Result
Add 200	Added 230

3-13. Qualitative Results (Conclusion)

	FY2015	FY2018	FY2019 Forecasts
Profit before tax [excluding Chinese Allowance for Bad Debt]	46.6 billion yen	32.7 billion yen [53.3 billion yen]	45.0 billion yen
ROE	9.9%	5.1%	8.2%
ROA	1.6%	1.0%	1.3%
OHR	59.9%	59.0%	63.4%
Dividend per share (Payout ratio)	¥84.00	¥46.00	¥88.00
(Ref.) Exchange rate*1 (Yen/£)	¥181	¥145	¥145
(Yen/\$)	¥119	¥110	¥110

*1 Yearly average currency exchange rate applied to PL

Promote thorough prevention of recurrence based on the investigation results from Special Investigation Committee

Outline of (HCF), the subject subsidiary

Item	Content
Name	Hitachi Capital Factoring (China), Co., Ltd.
Business description	Factoring business
Partners/ Customers	Hitachi Group companies/Japanese companies/Chinese companies (Major outstanding companies)
Operating assets	Approx. ¥30.0billion
Establishment	August 2013

Summary of investigation results

- Possibility of damage by sophisticated and malicious frauds, etc. in factoring transactions
- No doubt for existence of receivables except for four cases
- No specific problem being recognized in internal controls
- Impact on profit before income taxes for FY2018: approx. ▲20.6 billion yen

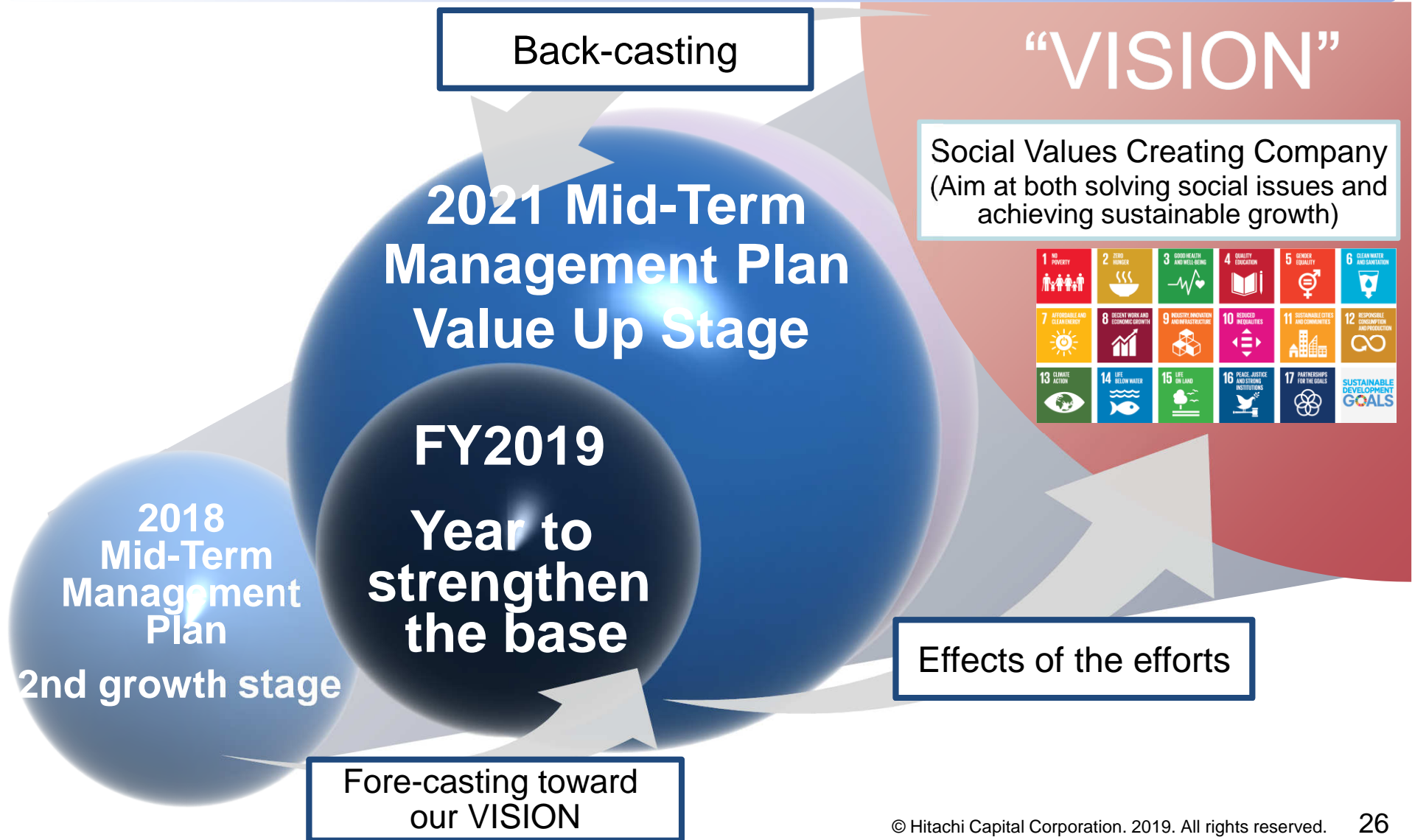
Measures to prevent recurrence

- Drastic review of large factoring businesses and other similar businesses
- Enhancing the operational risk management framework and the risk management for frauds
- Ensuring thorough practice of of Mission, Principles and Core Values again

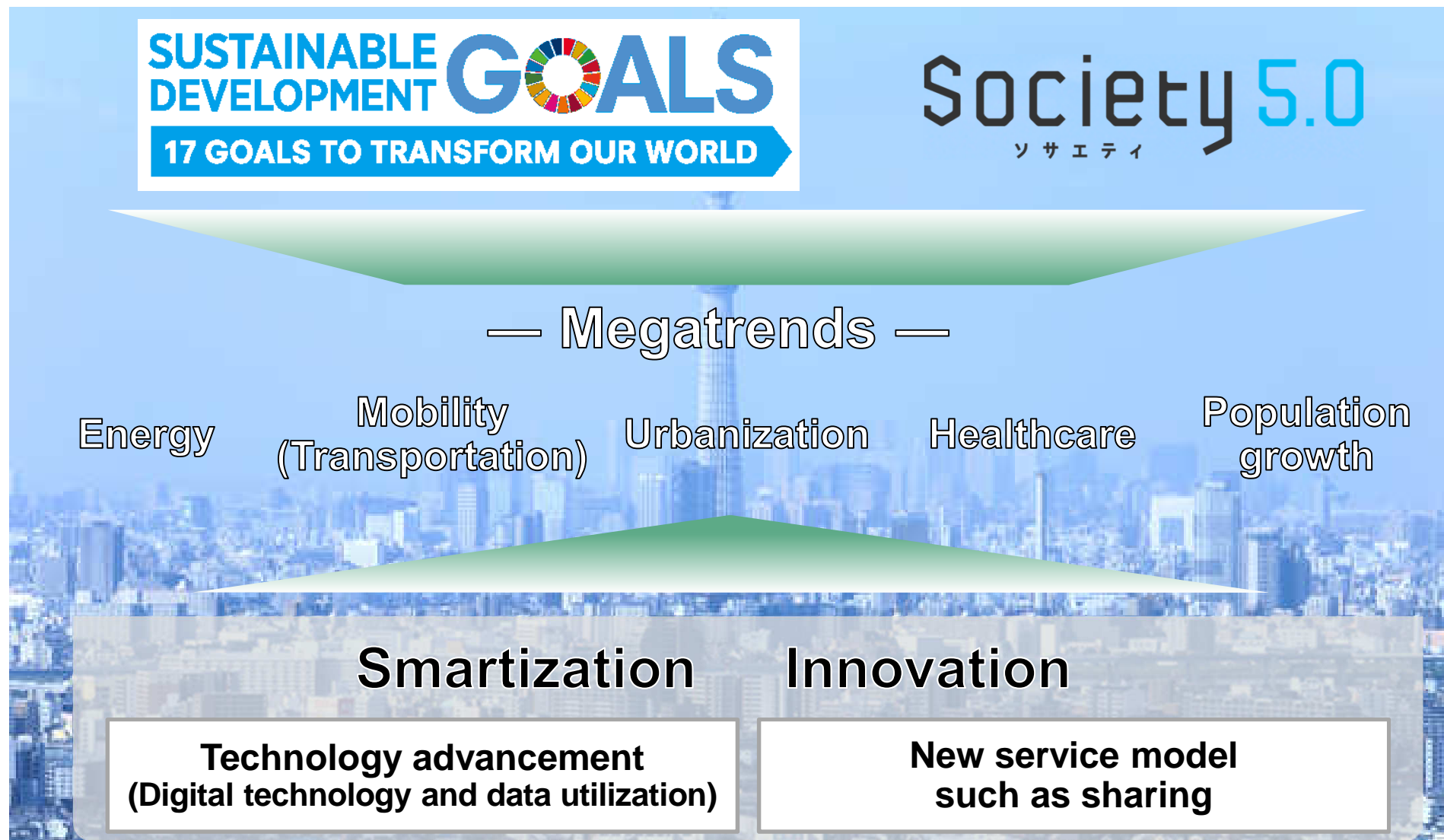
⇒ Make all-out efforts for damage recovery and early resolution

4-1. VISION and Positioning of 2021 Mid-Term Management Plan

Value Up Stage looking ahead to our VISION



4-2. Business Opportunities Considering Megatrends **HITACHI** Inspire the Next



*1 SDGs: Action plan adopted by the United Nations covering global issues to be achieved by 2030, consisting of 17 Sustainable Development Goals and 169 specific targets

*2 Society 5.0: Vision of future society proposed by the Japanese Government
A human-centered society that balances economic advancement with the resolution of social issues by a system that highly integrates cyberspace and physical space (reality space)

4-3. Key Businesses



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<https://www.hitachi-capital.co.jp/hcc/english/>

Note:

This document contains forward - looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed using information available at the time. Accordingly, forecasts may differ from actual results due to a variety of factors.